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STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES  
DIRECTOR

June 6, 2008

The Honorable Michelle McManus, Chair  
Senate Appropriations Subcommittee  
on Natural Resources  
S-2 Capitol Building  
P.O. Box 30036  
Lansing, Michigan 48909-7536

The Honorable Michael Lahti, Chair  
House Appropriations Subcommittee  
on Natural Resources  
S-1489 House Office Building  
P.O. Box 30014  
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Lahti:

Pursuant to Section 806, PA 344 of 2006, a report of the Department of Natural Resources' (DNR) timber treatments during the fourth quarter of Fiscal Year 2006-07 is attached.

If you have any questions, please feel free to contact me.

Sincerely,

Sharon M. Schafer, Chief  
Budget and Support Services  
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members  
House Appropriations Subcommittee Members  
Ms. Jessica Runnels, Senate Fiscal Agency  
Dr. Kirk Lindquist, House Fiscal Agency  
Mr. Robert Emerson, State Budget Director, Department of  
Management and Budget (DMB)  
Mr. Jacques McNeely, DMB  
Ms. Jennifer Harrison, DMB  
Director Rebecca Humphries, DNR  
Mr. Dennis Fedewa, Chief Deputy, DNR  
Ms. Arminda Koch, Resource Management Deputy, DNR  
Mr. Dennis Fox, Chief of Staff, DNR  
Mr. Daniel Eichinger, Acting Legislative Liaison, DNR  
Ms. Lynne Boyd, DNR  
Ms. Jane Schultz, DNR  
Mr. Joseph Taylor, DNR

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**Department of Natural Resources  
Fiscal Year 2006-07 Timber Report  
Fourth Quarter**

**Background**

In December, 2005, Michigan's state forest system was certified under both the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC) third party forest certification protocols. Forest certification protocols require public participation in forest management planning and forest operations. Certification is essential in order for primary wood producers in Michigan to have continued access to national and international markets. The Department of Natural Resources' (Department) investment in forest certification strengthens Michigan's forest products sector.

The Department's compartment review process has been audited by both the SFI and the FSC and has been recognized as a key public participation mechanism that meets requirements for forest certification.

**Fourth Quarter Fiscal Year (FY) 2006-07 Timber Treatments**

State forest planning and activities, including timber treatments, are conducted within the framework of SFI and FSC forest certification principles and standards which take into consideration wildlife habitat and recreation uses. Timber treatments in a given year are based on decisions made two years prior during the compartment review process.

Each year, timber harvest treatments are prescribed for both softwood (coniferous) and hardwood (deciduous) tree species. Although hardwood and softwood trees often grow together, forest stands are typically coded by the predominant tree species present. The table below reports by Year of Entry (YOE) hardwood<sup>1</sup> forest stands prescribed for treatment.

YOE	Hardwood acres prescribed
2006	34,178
2007	34,758

The FY 2006-07 final plan of work identified 58,688 acres that were approved through the compartment review process that could be available for timber sale preparation. Resources were allocated for 55,670 acres. The total number of inventory acres accomplished was 55,370. Acres not resourced or accomplished were carried over to the next fiscal year.

In FY 2006-07, the Department submitted a total of 49,119 acres for timber sale auction from the state forest system, with an estimated volume of 724,512 cords. A total of 50,341 acres, with an estimated volume of 785,320 cords, were sold in FY 2006-07, including sales that were prepared previously for timber sale auction. Timber sale preparation marking contracts were awarded in the first two quarters of FY 2006-07 for a total of 6,415 acres for the year.

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<sup>1</sup> Hardwood cover types include aspen, birch, mixed northern hardwoods, oak, swamp hardwoods and lowland poplar.

Poor market demand for timber stumpage continued throughout FY 2006-07 resulting in a number of timber sales offered that received no bid. Forest management staff revised appraisal and no bid sale processes to be more responsive to market declines. Every timber sale that was no bid in FY 2006-07 has either been sold at the minimum bid price, held at the minimum bid price for no more than 21 days, re-appraised and re-advertised, or modified and re-advertised. The number of no-bid sales dropped significantly to just 16% of sales offered in the last quarter. Changes in the appraisal and no bid sale process contributed to this decline.

#### No-Bid Summary

FY 2006-07	Total Sales offered in the quarter <sup>2</sup>	Offerings with no bids <sup>3</sup>	Percent (%) of no-bid sales
1 <sup>st</sup> quarter	105	29	28%
2 <sup>nd</sup> quarter	166	46	28%
3 <sup>rd</sup> quarter	278*	76*	27%
4 <sup>th</sup> quarter	279	46	16%
Total	828	197	24%

\*corrected from the 3<sup>rd</sup> quarter report

Throughout the fourth quarter of FY 2006-07, demand for state forest timber was constrained by recent mill closures within the state and in neighboring states. Cautious bidding for timber was reinforced by high transportation and operating costs and economic uncertainties. This was especially reflected in the ongoing slump in the housing market, which, in turn, also negatively impacted the furniture industry.

#### **Plans and Efforts to Address Site Conditions (Limiting Factors)**

The Department continues several efforts to review and address factors limiting timber availability, including the following:

- Two site condition foresters who focus on timber management activities.
- A statewide Biodiversity Team working on an old growth and biodiversity stewardship strategy.
- A Special Conservation Area public recommendation process that complies with forest certification requirements.
- Work on revising silvicultural guidelines and assessing cervid impacts on forest regeneration.
- Work with the Forest Management Advisory Committee on key topics related to economic uses, social issues and environmental protection of state forestlands.

The Department will continue to identify and mitigate site conditions that affect timber management in compliance with Sustainable Forestry on State Forestlands, Part 525, PA 451, 1994 as amended, and SFI and FSC principles.

<sup>2</sup> Includes sales that have been modified and re-offered.

<sup>3</sup> Includes sales that were no bid more than once.